

**Virginia State Corporation Commission  
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<b>Case Number (if already assigned)</b>	PUR-2023-00112
<b>Case Name (if known)</b>	Petition of Virginia Electric and Power Company, For a financing order authorizing the issuance of deferred fuel cost bonds pursuant to Va. Code § 56-249.6:1
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**BY ELECTRONIC DELIVERY**

Mr. Bernard Logan, Clerk  
State Corporation Commission  
c/o Document Control Center  
Tyler Building – First Floor  
1300 East Main Street  
Richmond, Virginia 23219

*Petition of Virginia Electric and Power Company, For a financing order authorizing  
the issuance of deferred fuel cost bonds pursuant to Va. Code § 56-249.6:1*  
Case No. PUR-2023-00112

Dear Mr. Logan:

Please find enclosed for electronic filing in the above-referenced matter the *Petition of Virginia Electric and Power Company for a financing order authorizing the issuance of deferred fuel cost bonds pursuant to Va. Code § 56-249.6:1*.

Please do not hesitate to contact me if you have any questions in regard to the enclosed.

Highest regards,

/s/ Elaine S. Ryan

Elaine S. Ryan

**Enclosures**

cc: William H. Chambliss, Esq.  
K. Beth Clowers, Esq.  
C. Meade Browder, Jr., Esq.  
Paul E. Pfeffer, Esq.  
Lisa R. Crabtree, Esq.  
Joseph K. Reid, III, Esq.  
Jontille D. Ray, Esq.  
Nicole M. Allaband, Esq.



**Dominion  
Energy®**

**Petition, Direct Testimony,  
Exhibits, and Schedules of  
Virginia Electric and Power  
Company**

**Before the State Corporation  
Commission of Virginia**

**For a financing order authorizing the  
issuance of deferred fuel cost bonds  
pursuant to Va. Code § 56-249.6:1**

**Volume 1 of 3**

**Case No. PUR-2023-00112**

**Filed: July 3, 2023**

**Petition of Virginia Electric and Power Company, For a financing order authorizing the  
issuance of deferred fuel cost bonds pursuant to Va. Code § 56-249.6:1  
Case No. PUR-2023-00112**

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## COMMONWEALTH OF VIRGINIA

## STATE CORPORATION COMMISSION

PETITION OF )

VIRGINIA ELECTRIC AND POWER COMPANY )

Case No. PUR-2023-00112

For a financing order authorizing the issuance of  
deferred fuel cost bonds pursuant to Va. Code  
§ 56-249.6:1 )

**PETITION**

Virginia Electric and Power Company ("Dominion Energy Virginia" or the "Company"),  
by counsel, hereby files this petition with the State Corporation Commission of Virginia  
("Commission") for a financing order pursuant to § 56-249.6:1 of the Code of Virginia ("Va.  
Code"), to finance certain deferred fuel cost balances through deferred fuel cost bonds. (the  
"Petition"). Specifically, the Company seeks:

- i. To finance the deferred fuel costs and associated Up-front Financing Costs ("Up-front Financing Costs") through securitization;<sup>1</sup>
- ii. For approval of the proposed securitization financing structure;
- iii. For approval to sponsor the issuance of Deferred Fuel Cost Bonds<sup>2</sup> secured by the pledge of Deferred Fuel Cost Property, in one or more series or tranches in an aggregate principal amount not to exceed the Securitizable Balance (as of the date the first series Deferred Fuel Cost Bonds are issued);
- iv. For approval of the Financing Costs, including Up-front Financing Costs incurred in connection with the issuance of Deferred Fuel Cost Bonds and on-going Financing Costs ("On-going Financing Costs" and collectively, with the Up-front Financing Costs, the "Financing Costs");
- v. For approval to create Deferred Fuel Cost Property, including the right to (i) impose, bill, charge, collect and receive nonbypassable

<sup>1</sup> As defined herein.

<sup>2</sup> All capitalized terms not otherwise defined herein have the meaning assigned to them in Va. Code § 56-249.6:1 O and refer specifically to Dominion Energy Virginia's particular transaction.

Deferred Fuel Cost Charges sufficient to recover the principal of, and interest on, the Deferred Fuel Cost Bonds plus On-going Financing Costs; and (ii) obtain periodic formulaic adjustments to the Deferred Fuel Cost Property as provided in this Financing Order; and

- vi. For approval of the tariff to implement the Deferred Fuel Cost Charges.

In support of its Petition, the Company respectfully states as follows:

# **I. GENERAL INFORMATION**

1. Dominion Energy Virginia is a public service corporation organized under the laws of the Commonwealth of Virginia furnishing electric service to the public within its certificated service territory. The Company also supplies electric service to non-jurisdictional customers in Virginia and to the public in portions of North Carolina. The Company's electric system, consisting of facilities and associated facilities for the generation, transmission, and distribution of electric energy, is interconnected with the electric systems of neighboring utilities and is part of the interconnected network of electric systems serving the continental United States. Because of its operations in Virginia and North Carolina and its interconnections with other electric utilities, the Company engages in interstate commerce.

- 2. The Company's post office address is:

Virginia Electric and Power Company  
120 Tredegar Street  
Richmond, Virginia 23219

- 3. The names, addresses, and telephone numbers of the attorneys for the Company are:

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## II. DEFERRED FUEL COST BALANCE

4. The fuel deferral balance reflects the Company's under-recovery or over-recovery of actual fuel expenses after applying revenues collected through the fuel factor. The Company recovers its prudently incurred fuel expenses on a dollar-for-dollar basis from its customers through the annual fuel factor adjustment process prescribed by law.<sup>3</sup> When the approved fuel factor rate is insufficient to recover actual fuel expenses over a given period, there is a positive fuel deferral balance.

5. As the Company has explained in its pending fuel factor proceeding, Case No. PUR-2023-00067,<sup>4</sup> the fuel deferral balance continues to be substantial, largely due to significant marketplace commodity price increases during the prior fuel period as well as the implementation of the Company's three-year mitigation proposal approved in last year's fuel proceeding.

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<sup>3</sup> Va. Code § 56-249.6.

<sup>4</sup> *Application of Virginia Electric and Power Company, To revise its fuel factor pursuant to Va. Code § 56-249.6, Case No. PUR-2023-00067* (filed May 1, 2023).

6. The Company's projected June 30, 2023 fuel deferral balance is approximately \$1.275 billion. This balance represents the sum of the projected June 30, 2023 under-recovery of expenses during the July 1, 2022 to June 30, 2023 fuel period, and two-thirds of the remaining June 30, 2022 fuel deferral balance under the three-year mitigation plan ("Mitigation Plan"). Under the standard recovery protocol, including the approved mitigation plan, a typical residential customer using 1,000 kilowatt-hour ("kWh") / month would see a net increase of \$7.92 per month for the period of July 2023 to June 2024, which is comprised of a \$14.72 recovery of prior period charges and a \$6.79 reduction in current period charges.<sup>5</sup>

7. Although the Company is entitled to recovery of its prudently incurred fuel expenses on a prompt basis under Va. Code § 56-249.6, the Company recognizes the impact of such a sharp monthly increase in fuel rates on its customers.

8. The General Assembly has authorized an option under new Va. Code § 56-249.6:1 to finance certain deferred fuel costs through deferred fuel cost bonds. The Company supports this option as a means to protect its customers from significant and abrupt rate changes and is presenting its securitization proposal in this Petition.

### III. THE SECURITIZATION STATUTE

9. During its 2023 Session, the Virginia General Assembly enacted Chapters 775 (House Bill 1770) and 757 (Senate Bill 1265). These duplicate Acts of Assembly, known as the Virginia Electric Utility Regulation Act ("Act"), became effective July 1, 2023. The Act, *inter alia*, creates a new financing vehicle, utility cost recovery charge securitization, that may be used by an electric utility to recover certain deferred fuel costs, as codified at Va. Code § 56-249.6:1,

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<sup>5</sup> See the pre-filed direct testimony of Company Witness Timothy P. Stuller in Case No. PUR-2023-00067. In that proceeding, the Commission, at the Company's request, reduced the current period fuel factor rates by \$6.79 as of July 1, 2023. Therefore, if securitization is not approved, a typical residential customer would see an increase in fuel rider charges of \$14.72 per month in approximately December of this year.



the ("Securitization Statute"). Under the Securitization Statute, an electric utility may seek authorization to issue deferred fuel cost bonds with lower financing costs that are secured by deferred fuel cost property and include a dedicated deferred fuel cost charge that is separate and distinct from the utility's base rates or fuel factor on customer bills.

10. Va. Code § 56-249.6:1 A provides that:

Notwithstanding the provisions of § 56-249.6 or Chapter 3 (§ 56-55 et seq.), an electric utility, on or before July 1, 2024, may petition the Commission for a financing order and the Commission shall either issue (i) such financing order or (ii) an order rejecting the petition, no more than four months from the date of filing such petition and in accordance with the requirements of subdivision 2.

11. Under Va. Code § 56-249.6:1 A 1, the petition shall include:

(i) an estimate of the total amount of deferred fuel costs that the electric utility has incurred over the time period noted in the petition; (ii) an indication of whether the electric utility proposes to finance all or a portion of the deferred fuel costs using one or more series or tranches of deferred fuel cost bonds; (iii) an estimate and details of the financing costs related to the deferred fuel costs to be financed through the deferred fuel cost bonds; (iv) an estimate of the deferred fuel cost charges necessary to recover the deferred fuel costs and all financing costs and the proposed period for recovery of such costs; (v) a description of any benefits expected to result from the issuance of deferred fuel cost bonds, including the avoidance of or significant mitigation of abrupt and significant increases in rates to the electric utility's customers for the applicable time period; and (vi) direct testimony and exhibits supporting the petition. If the electric utility proposes to finance a portion of the deferred fuel costs, the electric utility shall identify in the petition the specific amount of deferred fuel costs for the applicable time period to be financed using deferred fuel cost bonds.

12. A financing order issued by the Commission pursuant to Va. Code § 56-249.6:1

shall include the following:

- i. The amount of deferred fuel costs to be financed using deferred fuel cost bonds. The Commission shall describe and estimate the amount of financing costs that may be recovered through deferred fuel cost charges. The financing order shall also specify the period over which deferred fuel costs and financing costs may be recovered and

whether the deferred fuel cost bonds may be offered and issued in one or more series or tranches during a fixed period not to exceed one year after the date of the financing order;

- ii. A finding that the proposed issuance of deferred fuel cost bonds is in the public interest and the associated deferred fuel cost charges are just and reasonable;
- iii. A finding that the structuring and pricing of the deferred fuel cost bonds are reasonably expected to result in reasonable deferred fuel cost charges consistent with market conditions at the time the deferred fuel cost bonds are priced and the terms set forth in such financing order;
- iv. A requirement that, for so long as the deferred fuel cost bonds are outstanding and until all financing costs have been paid in full, the imposition and collection of deferred fuel cost charges authorized under a financing order shall be nonbypassable and paid by all retail customers of the electric utility, irrespective of the generation supplier of such customer, except for an exempt retail access customer;
- v. A formula-based true-up mechanism for making annual adjustments to the deferred fuel cost charges that customers are required to pay pursuant to the financing order and for making any adjustments that are necessary to correct for any overcollection or undercollection of the charges or to otherwise ensure the timely payment of deferred fuel cost bonds and financing costs and other required amounts and charges payable in connection with the deferred fuel cost bonds;
- vi. The deferred fuel cost property that is, or shall be, created in favor of an electric utility or its successors or assignees and that shall be used to pay or secure deferred fuel cost bonds and all financing costs;
- vii. The authority of the electric utility to establish the terms and conditions of the deferred fuel cost bonds, including repayment schedules, expected interest rates, the issuance in one or more series or tranches with different maturity dates, and other financing costs;
- viii. A finding that the deferred fuel cost charges shall be allocated among customer classes in accordance with the methodology approved in the electric utility's last fuel factor proceeding;
- ix. A requirement that after the final terms of an issuance of deferred fuel cost bonds have been established and before the issuance of

deferred fuel cost bonds, the electric utility determines the resulting initial deferred fuel cost charge in accordance with the financing order and that such initial deferred fuel cost charge be final and effective upon the issuance of such deferred fuel cost bonds without further Commission action so long as such initial deferred fuel cost charge is consistent with the financing order;

- x. A method of tracing funds collected as deferred fuel cost charges, or other proceeds of deferred fuel cost property, and a requirement that such method be the method of tracing such funds and determining the identifiable cash proceeds of any deferred fuel cost property subject to the financing order under applicable law; and
- xi. Any other conditions not otherwise inconsistent with this section that the Commission determines are appropriate.

#### IV. SECURITIZATION PROPOSAL AND CUSTOMER BENEFITS

13. The Company requests authorization to issue Deferred Fuel Cost Bonds in the amount of approximately \$1.2702 billion, which consists of \$1.2578 billion of Deferred Fuel Costs, plus Up-front Financing Costs of issuing the Deferred Fuel Cost Bonds of approximately \$12.410 million (the "Securitizable Balance").<sup>6</sup> This amount is an estimate of the June 30, 2023 fuel deferral balance, reduced by the share attributable to the customers who elected to opt out of, or are exempt from, the fuel securitization bond financing. Once the final June 30, 2023 fuel deferral balance is known, the Company will be able to calculate the final fuel deferral balance that will be subject to securitization.<sup>7</sup>

14. The Company would utilize a special purpose entity ("SPE") in order to issue securitized bonds to finance the fuel deferral balance as of June 30, 2023. The proceeds from these bonds would be used to satisfy the unrecovered fuel balance and reduce the near-term impact to customers from paying these costs over a shorter period of time.

<sup>6</sup> Va. Code § 56-249.6:1 A 1 (i).

<sup>7</sup> In early August, the Company will make a supplemental filing in this proceeding and the pending fuel factor proceeding, Case No. PUR-2023-00067, to update the final June 30, 2023 fuel deferral balance.

15. The amortization of these bonds would be structured to provide an annual revenue requirement (including payments of interest, principal, and ongoing financing costs) over the term of the securitization period. Customers subject to the fuel securitization would be billed a separate nonbypassable fuel securitization charge on a per kilowatt-hour ("kWh") basis (the "Deferred Fuel Cost Charge") beginning soon after the issuance of the bonds, which, if approved by the Commission, is expected to occur in early 2024. The Deferred Fuel Cost Charge would be subject to periodic true-ups to ensure that the revenue requirements associated with the bonds are received on a timely basis.

16. The legislation provides customers whose demand exceeded five megawatts ("MW") in 2022 and are currently receiving electric supply service from the Company with an option to opt out of fuel securitization.<sup>8</sup> In addition, the legislation includes a provision that certain customers that were receiving electric supply from a provider other than the Company ("Choice Customers") or purchasing electricity supply from the Company pursuant to a market-based rate tariff (*i.e.*, Schedule MBR and Schedule SCR customers) for all or part of the time during which the fuel deferral balance was incurred are fully or partially exempt from the Deferred Fuel Cost Charge. Collectively, these customers are referred to as the "Non-Securitization Customers." The Non-Securitization Customers with a fuel deferral balance obligation will satisfy their pro rata obligation prior to June 30, 2024, and will not be subject to the Deferred Fuel Cost Charge.

17. As described more fully in the testimony of Company Witnesses Darius A. Johnson and Charles N. Atkins II, the Company analyzed two transaction structures for the bonds: one with a scheduled final maturity date of approximately seven years, and one with a

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<sup>8</sup> The Company notes that only approximately 28% of those customers eligible to opt out have elected to do so, representing an estimated fuel deferral balance share of approximately \$11.8 million.

scheduled final maturity date of approximately ten years.<sup>9</sup> For each alternative, the Company proposes to issue the Deferred Fuel Cost Bonds in two or more tranches.<sup>10</sup>

18. The actual interest rates, terms, tranches, and other characteristics of the bonds will be determined at the time of pricing of the bonds and will depend on prevailing market conditions.

19. Company Witness John J. Reed analyzes the benefits of both options under current market conditions on a net present value ("NPV") basis as compared to the standard recovery through an annual fuel factor charge. Company Witness Reed's analysis shows a positive NPV securitization benefit to customers of approximately \$10.16 million for the seven-year option, and a positive NPV securitization benefit to customers of approximately \$29.15 million for the ten-year option. In other words, customers will pay less under either securitization option than standard recovery on an NPV basis, and that benefit is increased with a longer term for the Deferred Fuel Cost Bonds. The results show that both options would prevent a sharp increase in customers' monthly fuel rates and would prove cost beneficial to customers over time.<sup>11</sup>

20. Company Witness Elizabeth B. Lecky presents the estimated revenue requirement for the seven- and ten-year options, and describes the semiannual, quarterly, and interim true-ups pursuant to the proposed true-up adjustment mechanism.

21. Company Witness Timothy P. Stuller presents the estimated Deferred Fuel Cost Charges for the seven- and ten-year options, both of which would result in a net *decrease* in the

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<sup>9</sup> Va. Code § 56-249.6:1 A 1 (i).

<sup>10</sup> Va. Code § 56-249.6:1 A 1 (ii).

<sup>11</sup> Va. Code § 56-249.6:1 A 1 (v).

fuel factor charges for the July 1, 2023 to June 30, 2025 periods from those rates in effect from July 1, 2022 to June 30, 2023.<sup>12</sup>

22. An approximately seven-year amortization of the deferred fuel cost bonds would result in an estimated initial monthly charge from the typical residential customer using 1,000 kWh per month of \$3.05. On a similar basis, the approximately ten-year amortization bond structure would result in an estimated initial monthly charge of \$2.29.<sup>13</sup> These options compare to an increase in fuel rider charges of \$14.72 per month if securitization is not approved, which would take effect in December of this year.<sup>14</sup> In addition, these options avoid the need to collect the remaining Mitigation Plan balance of approximately \$289 million during the July 1, 2024 – June 30, 2025 fuel year with a projected rate of 0.437 ¢/kWh. Either of the securitization proposals would result in a material reduction of the magnitude of the abrupt and significant fuel rate increases which would occur absent securitization.<sup>15</sup>

23. Based on the foregoing, the Company therefore requests the Commission grant approval to sponsor the issuance of approximately \$1.2702 billion in Deferred Fuel Cost Bonds with an estimated scheduled final payment date of up to but no longer than approximately ten years, unless the Commission has a clear preference for a shorter term. The Company believes this proposal will provide customers with the lowest initial and on-going rate impact, and the analysis demonstrates that the ten-year option provides greater benefits to customers on an NPV basis than the seven-year option.

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<sup>12</sup> Va. Code § 56-249.6:1 A 1 (v).

<sup>13</sup> Va. Code § 56-249.6:1 A 1 (iv).

<sup>14</sup> The Commission, at the Company's request, reduced the current period fuel factor rates by \$6.79 as of July 1, 2023 in its Order Establishing 2023 – 2024 Fuel Factor Proceeding issued on May 12, 2023 in Case No. PUR-2023-00067. Net of this reduction, the increase in fuel rates for the 2023-2024 period would be \$7.92 per month for the typical residential customer.

<sup>15</sup> Va. Code § 56-249.6:1 A 1 (v).

24. The Company requests that its Up-front Financing Costs associated with the securitization process be included in the principal amount of the Deferred Fuel Cost Bonds. Principal, interest, and On-going Financing Costs, including, but not limited to costs of servicing and maintaining the Deferred Fuel Cost Bonds, will be recovered through the Deferred Fuel Cost Charges authorized by the Financing Order. The Company estimates that its Up-front Financing Costs will be \$12.41 million and that its annual On-going Financing Costs will be \$1.3 million.<sup>16</sup> Company Witness Johnson describes the Up-Front and On-going Financing Costs in his pre-filed direct testimony and includes a detailed estimate as his Schedule 6.

25. These estimates are based on the Company as Servicer for the SPE. However, several of the components of the Up-front Financing Costs will vary upon the size of the final issuance of the Deferred Cost Bonds. Specifically, the U.S. Securities and Exchange Commission ("SEC") registration fee and the underwriters' fees are typically proportional to the amount of bond issuance. In addition, other up-front costs, such as legal, consulting and accounting fees and expenses, rating agency fees, printing expenses, and trustee costs will not be known until the issuance of the Deferred Fuel Cost Bonds, when final invoices are submitted. Final Up-front Financing Costs will be approved through the issuance advice letter procedures as proposed in the Proposed Financing Order and described by Company Witnesses Johnson and Atkins.

26. Company Witness Atkins describes in detail how the Deferred Fuel Cost Bonds will be issued and explains the Company's role in the process. Specifically, Dominion Energy Virginia would form a bankruptcy remote SPE to acquire the deferred fuel cost property and to issue and sell the Deferred Fuel Cost Bonds. As required by the Securitization Statute, the SPE

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<sup>16</sup> Va. Code § 56-249.6:1 A 1 (iii).

will be capitalized by the Company in an amount equal to at least 0.5% of the Securitizable Balance. The Company's capital contribution will be made available to cover any shortfalls in the Deferred Fuel Cost Charges to make payments on the Deferred Fuel Cost Bonds as necessary. Company Witness Atkins also describes the Servicing Agreement between the Company as Servicer, the Trustee, and the SPE.

27. The Company expects to begin marketing the Deferred Fuel Cost Bonds as promptly as possible after the last of the following events have occurred: (1) issuance of a final, non-appealable financing order acceptable by the Company; (2) delivery of any necessary approvals by the SEC under the Securities Act of 1933; and (3) the delivery of preliminary ratings and presale reports from the engaged rating agencies. Upon completion of these events, the Company expects to pursue an appropriately aggressive schedule to market, price, and issue the bonds, subject to market conditions. The Company recommends that the Deferred Fuel Cost Bonds be issued as soon as practicable. The specific issuance date cannot be determined at this time and depends on many factors, including those discussed above.

28. The Securitization Statute sets forth specific requirements for the Financing Order and the specific directives of any Financing Order issued by the Commission are critical to secure the AAA-equivalent debt rating for the Deferred Fuel Cost Bonds that will result in the most favorable financing costs for customers. As such, the Company has included a Proposed Financing Order as Exhibit B to this Petition.

29. By approving the proposed Financing Order, the Commission: (1) authorizes Dominion Energy Virginia to securitize the fuel deferral balance, updated through the projected date of issuance of the Deferred Fuel Cost Bonds and allow the Deferred Fuel Cost Bonds to be issued in an aggregate amount equal to (a) the fuel deferral balance and (b) Up-front Financing



Costs incurred in connection with the issuance of the Deferred Fuel Cost Bonds; (2) approves the structure of the proposed securitization financing, including an estimated scheduled final payment date for the Deferred Fuel Cost Bonds of up to but not exceeding approximately ten years; (3) approves Deferred Fuel Cost Charges for Dominion Energy Virginia in an amount calculated and adjusted from time to time as provided in the Financing Order, to be sufficient to pay the debt service on the Deferred Fuel Cost Bonds together with related financing costs on a timely basis; and (4) approves Dominion Energy Virginia's proposed tariffs to become effective as of the date of issuance of the Deferred Fuel Cost Bonds.

#### **V. SUPPORTING TESTIMONY AND EXHIBITS**

30. The following documents are attached to the Petition in accordance with Va.

Code § 56-249.6:1 A 1:

- Petition Exhibit A: Summary of Securitizable Balance
- Petition Exhibit B: Proposed Financing Order
- Petition Exhibit C: Proposed Registration, Rating Agency, and Bond Issuance Timeline

31. The Company's Petition is supported by the pre-filed direct testimonies of Company Witness Darius A. Johnson, John J. Reed, Charles N. Atkins II, Elizabeth B. Lecky, and Timothy P. Stuller.<sup>17</sup>

#### **VI. CONCLUSION**

WHEREFORE, Virginia Electric and Power Company respectfully requests that the Commission (1) find that securitization of the deferred fuel costs through Deferred Fuel Cost Bonds is in the public interest; (2) grant approval to sponsor the issuance of approximately

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<sup>17</sup> Va. Code § 56-249.6:1 A 1 (vi).

\$1.2702 billion in Deferred Fuel Cost Bonds with an estimated scheduled final payment date of up to but no longer than approximately ten years; (3) approve the Deferred Fuel Cost Charges; (4) issue the Proposed Financing Order attached to this Petition as Exhibit B; and (5) grant such other and further relief as it deems just and proper.

Respectfully submitted,

VIRGINIA ELECTRIC AND POWER COMPANY

By: /s/ Elaine S. Ryan  
Counsel

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*Counsel for Virginia Electric and Power Company*

July 3, 2023

## EXHIBIT A

**SUMMARY OF CALCULATION OF DOMINION ENERGY VIRGINIA'S  
SECURITIZABLE BALANCE**

(In Thousands)

Estimated Deferred Fuel Costs	\$ 1,257,800
Estimated Up-front Financing Costs <sup>1</sup>	\$ 12,410
	<hr/>
Estimated Principal Amount Deferred Fuel Cost Bonds	\$ 1,270,210

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<sup>1</sup> Final Up-front Financing Costs to be included in the Issuance Advice Letter.

EXHIBIT B

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

PETITION OF	)	
	)	
VIRGINIA ELECTRIC AND POWER COMPANY	)	Case No. PUR-2023-00112
	)	
For a financing order authorizing the issuance of	)	
deferred fuel cost bonds pursuant to Va. Code	)	
§ 56-249.6:1	)	

**FINANCING ORDER**

During its 2023 Session, the Virginia General Assembly enacted Chapters 775 (House Bill 1770) and 757 (Senate Bill 1265). These duplicate Acts of Assembly, known as the Virginia Electric Utility Regulation Act (“Act”), became effective July 1, 2023. The Act, *inter alia*, creates a new financing vehicle, utility cost recovery charge securitization, that may be used by an electric utility to recover certain deferred fuel costs, codified at § 249.6:1 of Title 56 of the Code of Virginia (“Va. Code”) (the “Securitization Statute”). Under the Securitization Statute, an electric utility may seek authorization to issue deferred fuel cost bonds that are secured by deferred fuel cost property, including a dedicated deferred fuel cost charge that is separate and distinct from the utility’s base rates or fuel factor.

On July 3, 2023, Virginia Electric and Power Company (“Dominion Energy Virginia” or the “Company”) filed with the State Corporation Commission of Virginia (“Commission”) its petition (“Petition”) for a financing order pursuant to Va. Code § 56-249.6:1 to finance certain deferred fuel cost balances through deferred fuel cost bonds. Specifically, the Petition seeks:

- i. To finance the deferred fuel costs and associated Up-front Financing Costs (“Up-front Financing Costs”) through a securitization;<sup>1</sup>
- ii. For approval of the proposed securitization financing structure;

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<sup>1</sup> As defined herein.

- iii. For approval to sponsor the issuance of Deferred Fuel Cost Bonds<sup>2</sup> secured by the pledge of Deferred Fuel Cost Property, in one or more series or tranches in an aggregate principal amount not to exceed the Securitizable Balance (as of the date the first series Deferred Fuel Cost Bonds are issued);
- iv. For approval of the Financing Costs, including up-front Financing Costs incurred in connected with the issuance of Deferred Fuel Cost Bonds and on-going Financing Costs ("On-going Financing Costs" and collectively, with the Up-front Financing Cost, the "Financing Costs");
- v. For approval to create Deferred Fuel Cost Property, including the right to (i) impose, bill, charge, collect and receive nonbypassable Deferred Fuel Cost Charges sufficient to recover the principal of, and interest on, the Deferred Fuel Cost Bonds plus On-going Financing Costs; and (ii) obtain periodic formulaic adjustments to the Deferred Fuel Cost Property as provided in this Financing Order; and
- vi. For approval of the tariff to implement the Deferred Fuel Cost Charges.

As set forth in the Petition, the Dominion Energy Virginia requests authorization to issue Deferred Fuel Cost Bonds in the amount of approximately \$1.2702 billion, which consists of \$1.2578 billion of deferred fuel costs, plus Up-front Financing Costs of issuing the Deferred Fuel Cost Bonds of approximately \$12.41 million (the "Securitizable Balance").

The Petition states the Company's current fuel deferral balance continues to be substantial, largely due to significant marketplace commodity price increases during the prior fuel period as well as the implementation of the Company's three-year mitigation proposal approved by the Commission in last year's fuel proceeding. The Company states that the option to finance the deferred fuel balance under Va. Code § 56-249.6:1 would significantly mitigate the abrupt and significant increase in the fuel factor for customers over the upcoming fuel period.

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<sup>2</sup> All capitalized terms not otherwise defined herein shall have the meaning assigned to them in Va. Code § 56-249.6:1 O and refer specifically to Dominion Energy Virginia's particular transaction approved herein.

According to the Company, an approximately seven-year amortization of the deferred fuel cost bonds would result in an estimated initial monthly charge from the typical residential customer using 1,000 kilowatt-hours per month ("kWh") per month of \$3.05 and the approximately ten-year amortization bond structure would result in an estimated initial monthly charge of \$2.29. These options compare to an increase in fuel rider charges of \$14.72 per month if securitization is not approved, which would take effect in December of this year.<sup>3</sup> The Company also states that these options avoid the need to collect the remaining Mitigation Plan balance of approximately \$289 million during the July 1, 2024 – June 30, 2025 fuel year with a projected rate of 0.437 ¢/kWh.

*Code of Virginia*

Va. Code § 56-249.6:1 A provides that:

Notwithstanding the provisions of § 56-249.6 or Chapter 3 (§ 56-55 et seq.), an electric utility, on or before July 1, 2024, may petition the Commission for a financing order and the Commission shall either issue (i) such financing order or (ii) an order rejecting the petition, no more than four months from the date of filing such petition and in accordance with the requirements of subdivision 2.

Under Va. Code § 56-249.6:1 A 1, the petition shall include:

- (i) an estimate of the total amount of deferred fuel costs that the electric utility has incurred over the time period noted in the petition;
- (ii) an indication of whether the electric utility proposes to finance all or a portion of the deferred fuel costs using one or more series or tranches of deferred fuel cost bonds;
- (iii) an estimate and details of the financing costs related to the deferred fuel costs to be financed through the deferred fuel cost bonds;
- (iv) an estimate of the deferred fuel cost charges necessary to recover the deferred fuel costs and all financing costs and the proposed period for recovery of such costs;
- (v) a description of any benefits expected to result from the issuance of deferred fuel cost bonds, including the avoidance of or significant

<sup>3</sup> The Commission, at the Company's request, reduced the current period fuel factor rates by \$6.79 as of July 1, 2023 in our Order Establishing 2023 – 2024 Fuel Factor Proceeding issued on May 12, 2023 in Case No. PUR-2023-00067. The Company states that net of this reduction, the increase in fuel rates for the 2023-2024 period would be \$7.92 per month for the typical residential customer.

mitigation of abrupt and significant increases in rates to the electric utility's customers for the applicable time period; and (vi) direct testimony and exhibits supporting the petition. If the electric utility proposes to finance a portion of the deferred fuel costs, the electric utility shall identify in the petition the specific amount of deferred fuel costs for the applicable time period to be financed using deferred fuel cost bonds.

A financing order issued by the Commission pursuant to Va. Code § 56-249.6:1 shall include the following:

- i. The amount of deferred fuel costs to be financed using deferred fuel cost bonds. The Commission shall describe and estimate the amount of financing costs that may be recovered through deferred fuel cost charges. The financing order shall also specify the period over which deferred fuel costs and financing costs may be recovered and whether the deferred fuel cost bonds may be offered and issued in one or more series or tranches during a fixed period not to exceed one year after the date of the financing order;
- ii. A finding that the proposed issuance of deferred fuel cost bonds is in the public interest and the associated deferred fuel cost charges are just and reasonable;
- iii. A finding that the structuring and pricing of the deferred fuel cost bonds are reasonably expected to result in reasonable deferred fuel cost charges consistent with market conditions at the time the deferred fuel cost bonds are priced and the terms set forth in such financing order;
- iv. A requirement that, for so long as the deferred fuel cost bonds are outstanding and until all financing costs have been paid in full, the imposition and collection of deferred fuel cost charges authorized under a financing order shall be nonbypassable and paid by all retail customers of the electric utility, irrespective of the generation supplier of such customer, except for an exempt retail access customer;
- v. A formula-based true-up mechanism for making annual adjustments to the deferred fuel cost charges that customers are required to pay pursuant to the financing order and for making any adjustments that are necessary to correct for any overcollection or undercollection of the charges or to otherwise ensure the timely payment of deferred fuel cost bonds and financing costs and other required amounts and charges payable in connection with the deferred fuel cost bonds;

- vi. The deferred fuel cost property that is, or shall be, created in favor of an electric utility or its successors or assignees and that shall be used to pay or secure deferred fuel cost bonds and all financing costs;
- vii. The authority of the electric utility to establish the terms and conditions of the deferred fuel cost bonds, including repayment schedules, expected interest rates, the issuance in one or more series or tranches with different maturity dates, and other financing costs;
- viii. A finding that the deferred fuel cost charges shall be allocated among customer classes in accordance with the methodology approved in the electric utility's last fuel factor proceeding;
- ix. A requirement that after the final terms of an issuance of deferred fuel cost bonds have been established and before the issuance of deferred fuel cost bonds, the electric utility determines the resulting initial deferred fuel cost charge in accordance with the financing order and that such initial deferred fuel cost charge be final and effective upon the issuance of such deferred fuel cost bonds without further Commission action so long as such initial deferred fuel cost charge is consistent with the financing order;
- x. A method of tracing funds collected as deferred fuel cost charges, or other proceeds of deferred fuel cost property, and a requirement that such method be the method of tracing such funds and determining the identifiable cash proceeds of any deferred fuel cost property subject to the financing order under applicable law; and
- xi. Any other conditions not otherwise inconsistent with this section that the Commission determines are appropriate.



NOW THE COMMISSION, having considered this matter, is of the opinion and finds as follows:

#### COSTS ELIGIBLE FOR FINANCING

##### *Deferred fuel costs*

The Commission finds that Dominion Energy Virginia's deferred fuel costs in the amount of \$1,270,210,000, subject to adjustments through the issuance of the Deferred Fuel Cost Bonds, are eligible for recovery.

Further, the Commission finds (i) that the proposed issuance of Deferred Fuel Cost Bonds is in the public interest and the associated Deferred Fuel Cost Charges are just and reasonable; and (ii) that the structuring and pricing of the Deferred Fuel Cost Bonds are reasonably expected to result in reasonable deferred fuel cost charges consistent with market conditions at the time the Deferred Fuel Cost Bonds are priced and the terms set forth in this Financing Order (collectively, the "Statutory Cost Objectives").

##### *Up-front Financing Costs*

The Company's proposed Up-front Financing Costs, in the estimated amount of \$12,410,000, are reasonable and prudent and eligible for recovery through securitization. Any under-recovery of Up-front Financing Costs will be eligible for future recovery in base rates.

#### STRUCTURE OF ISSUANCE

Dominion Energy Virginia's proposed financing structure adheres to the requirements of the Act.

##### *Special Purpose Entities*

For purposes of securitization, it is reasonable for Dominion Energy Virginia to utilize one or more Special Purpose Entities ("SPEs"), each of which will be a Delaware limited liability

company ("LLC") with Dominion Energy Virginia as its sole member. Any such SPE will be an "assignee" as defined in Va. Code § 56-249.6:1 O, when an interest in Deferred Fuel Cost Property is transferred, other than as security, to such SPE, and such SPE may issue Deferred Fuel Cost Bonds in accordance with this Financing Order.

*Deferred Fuel Cost Property*

It is reasonable for Dominion Energy Virginia to sell or otherwise transfer Deferred Fuel Cost Property to the SPE pursuant to the terms of this Financing Order. Upon the transfer by Dominion Energy Virginia of the Deferred Fuel Cost Property to the SPE, that SPE will have all of the rights, title and interest of Dominion Energy Virginia with respect to such Deferred Fuel Cost Property, including, consistent with the Act, the right to impose, bill, charge, collect and receive the Deferred Fuel Cost Charges authorized by this Financing Order and to obtain periodic formulaic adjustments to each Deferred Fuel Cost Charge. Such Deferred Fuel Cost Property is expected to be pledged by the SPE to and held and administered by a trustee as collateral for payment of the Deferred Fuel Cost Bonds to ensure the Statutory Cost Objectives are achieved.

The Commonwealth of Virginia and its agencies, including the Commission, have pledged to and agrees with bondholders, the owners of the Deferred Fuel Cost Property, and other financing parties, that the Commonwealth and its agencies, including the Commission, will not alter the provisions of the Securitization Statute, which authorize the Commission to create Deferred Fuel Cost Property or take or permit any action that impairs the value of the Deferred Fuel Cost Property, as further described in Va. Code § 56-249.6:1 J 1.

Further, the Commonwealth and its agencies, including this Commission, will not take or permit any action that impairs or would impair the value of Deferred Fuel Cost Property or the

security for the Deferred Fuel Cost Bonds or revises the deferred fuel costs for which recovery is authorized, or in any way impair the rights and remedies of the bondholders, assignees, or other financing parties.

Transaction Documents

The Company's and the SPE's entry into a Purchase and Sale Agreement, Administration Agreement, Limited Liability Company Agreement ("LLC Agreement"), Indenture, and Servicing Agreement, current forms of which are filed as exhibits to Company Witness Darius A. Johnson's testimony, ("Transaction Documents") is in the public interest and necessary to facilitate the transaction.<sup>4</sup>

Offering and Sale of Bonds

Dominion Energy Virginia is hereby authorized to sponsor the issuance of the Deferred Fuel Cost Bonds through a negotiated sale or other sales option to achieve the Statutory Cost Objectives.

Amortization, Interest Rates, and Credit Ratings of Deferred Fuel Cost Bonds

The expected term of the scheduled final payment date of the last maturing series or tranche of bonds issued pursuant to the authority granted herein, as determined in the reasonable discretion of Dominion Energy Virginia, should be no more than approximately 10 years from the issuance of the series of Deferred Fuel Cost Bonds. The legal maturity date of each tranche may be longer than the scheduled final payment date for that series or tranche.

The Commission finds that each series or tranche of the Deferred Fuel Cost Bonds should have a fixed interest rate, determined consistent with current market conditions.

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<sup>4</sup> See Schedules 1 – 5 to the pre-filed direct testimony of Darius A. Johnson. These Transaction Documents are subject to change to incorporate rating agency and other considerations.

Dominion Energy Virginia should strive to achieve AAA-equivalent credit ratings on the Deferred Fuel Cost Bonds, and Dominion Energy Virginia is authorized to provide the necessary credit enhancements, included in the recovery of related costs as On-going Financing Costs, to achieve such ratings.

*Security for the Deferred Fuel Cost Bonds*

Dominion Energy Virginia's utilization of a collection account, including a general subaccount, a capital subaccount and an excess funds subaccount within the SPE, is reasonable and appropriate. The SPE sponsored by Dominion Energy Virginia may include other subaccounts in the collection account, if necessary, to obtain AAA-equivalent ratings on a series of Deferred Fuel Cost Bonds.

*Dominion Energy Virginia as Initial Servicer of the Deferred Fuel Cost Bonds*

Dominion Energy Virginia's proposal to act as initial servicer of the Deferred Fuel Cost Bonds is reasonable and appropriate.

The on-going servicing fee for Dominion Energy Virginia, acting as the initial servicer, in an annual amount of 0.05 percent of the initial principal amount of the Deferred Fuel Cost Bonds plus out-of-pocket expenses provided for in the Servicing Agreement, is necessary to compensate the servicer adequately on an arms-length basis and ensure the high credit quality of the Deferred Fuel Cost Bonds.

*Dominion Energy Virginia as Administrator of the SPE*

Dominion Energy Virginia's proposal to act as an administrator of the SPE under the proposed financing transaction is reasonable and appropriate.

The on-going fee to be paid to the administrator of \$100,000 per year plus out-of-pocket expenses provided for in the Administration Agreement is necessary to cover the costs and

expenses of administering the SPE and to preserve the integrity of the bankruptcy-remote structure of the SPE and the high credit quality of the Deferred Fuel Cost Bonds.

*On-going Financing Costs*

The On-going Financing Costs identified in Dominion Energy Virginia's Petition and that are identified in Attachment 4 of the form Issuance Advice Letter ("IAL") qualify as "financing costs" eligible for recovery pursuant to Va. Code § 56-249.6:1 O.

It is appropriate for Dominion Energy Virginia to credit back to customers all periodic servicing and administration fees in excess of Dominion Energy Virginia's or an affiliate of Dominion Energy Virginia's incremental cost of performing the servicer or administrator function in the next rate case when costs and revenues associated with the servicing and administration fees will be included in the cost of service, but only to the extent such crediting does not impair the AAA-equivalent ratings on the Deferred Fuel Cost Bonds.

*Deferred Fuel Cost Bonds to be Treated as "Debt" for Federal Income Tax Purposes*

Dominion Energy Virginia shall structure the Deferred Fuel Cost Bond transactions in a way that meets all requirements for the Internal Revenue Service's ("IRS") Revenue Procedure 2005-62.

**DEFERRED FUEL COST CHARGES**

*Imposition and Computation of Deferred Fuel Cost Charges*

To repay the Deferred Fuel Cost Bonds and On-going Financing Costs, the SPE sponsored by Dominion Energy Virginia is authorized to impose the Deferred Fuel Cost Charges to be collected by Dominion Energy Virginia acting as initial servicer, as a nonbypassable per-kWh charge from all retail customers of the Company, irrespective of the generation supplier of such customer, except for opt out, and exempt or partially exempt retail access customers as

defined in Va. Code § 56-249.6:1 O, until the Deferred Fuel Cost Bonds and related Financing Costs are paid in full.

The Securitizable Balance to be financed using Deferred Fuel Cost Bonds shall be determined in accordance with the calculation shown in Appendix A to this Financing Order.

The proposed allocation methodology of the Deferred Fuel Cost Charges is based upon Dominion Energy Virginia's existing (and previously approved) allocation methodology in the Company's last fuel factor proceeding and should be approved.

The Commonwealth of Virginia and its agencies, including the Commission, have pledged to and agrees with bondholders, the owners of the Deferred Fuel Cost Property, and other financing parties that the Commonwealth and its agencies, including the Commission, will not, except for changes made pursuant to the formulaic true-up mechanism ("True-Up Mechanism"), reduce, alter, or impair the Deferred Fuel Cost Charges until any and all principal, interest, premium, Financing Costs and other fees, expenses or charges incurred, and any contracts to be performed, in connection with the Deferred Fuel Cost Bonds have been paid and performed in full, as further described in Va. Code § 56-249.6:1 J 1 (d).

Subsequent to the transfer of Deferred Fuel Cost Property to an assignee or the issuance of Deferred Fuel Cost Bonds authorized herein, whichever is earlier, this Financing Order shall be irrevocable and, except for changes made pursuant to the formula-based mechanism authorized herein, the Commission shall not amend, modify, or terminate this Financing Order by any subsequent action or reduce, impair, postpone, terminate, or otherwise adjust deferred fuel cost charges approved in the Financing Order. Upon issuance of this Financing Order, Dominion Energy Virginia shall retain sole discretion regarding whether to assign, sell, or

otherwise transfer Deferred Fuel Cost Property or to cause Deferred Fuel Cost Bonds to be issued, including the right to defer or postpone such assignment, sale, transfer or issuance.

*Treatment of Deferred Fuel Cost Charges in Tariffs and on Retail Customer Bills*

Dominion Energy Virginia's proposed Virginia Jurisdictional Deferred Fuel Cost Charge Tariff and Pro-Rata Share of Deferred Fuel Costs Tariff comply with Va. Code § 56-249.6:1 C and are appropriate for use in this proceeding.

Dominion Energy Virginia is authorized and directed to include the Deferred Fuel Cost Charge on each customer's bill as a separate line item and include both the rate and the amount of the charge on each bill as required by Va. Code § 56-249.6:1 C 2 and a statement that the SPE is the owner of the rights to the Deferred Fuel Cost Charges and that Dominion Energy Virginia is acting as a servicer for the SPE as required by Va. Code § 56-249.6:1 C 1.

*True-Up of Deferred Fuel Cost Charges*

The True-Up Mechanism and associated procedures described in Dominion Energy Virginia's Tariff are reasonable and appropriate and are hereby approved.

JUST AND REASONABLE DEFERRED FUEL COST CHARGES

The issuance of Deferred Fuel Cost Bonds is in the public interest and the associated Deferred Fuel Cost Charges are just and reasonable. Further, the issuance of Deferred Fuel Cost Bonds will significantly mitigate abrupt and significant increases in customers' rates that would otherwise occur absent securitization.

ISSUANCE ADVICE LETTER PROCESS

Because the actual structure and pricing of the Deferred Fuel Cost Bonds are unknown as of the issuance of this Financing Order, following determination of the final terms of the Deferred Fuel Cost Bonds and before issuance of the Deferred Fuel Cost Bonds, Dominion

Energy Virginia will file with the Commission for each series of Deferred Fuel Cost Bonds, an IAL, as well as a form of True-Up Adjustment Letter ("TUAL," and together with the IAL, the "IAL/TUAL") in substantially the forms attached hereto as Appendices B and C. The initial Deferred Fuel Cost Charge and the final terms of the Deferred Fuel Cost Bonds described in the IAL/TUAL will be final unless before noon on the third business day after pricing of the Deferred Fuel Cost Bonds the Commission issues an order finding that the proposed issuance does not comply with the standards of this Financing Order as follows: (1) the aggregate principal amount of Deferred Fuel Cost Bonds issued does not exceed the Securitizable Balance; (2) the Deferred Fuel Cost Bonds will be issued in one or more series comprised of one or more tranches having a scheduled final payment date of no longer than approximately 10 years; (3) the Deferred Fuel Cost Bonds have received a preliminary rating of Aaa(sf) / AAA(sf) from at least two of the three major rating agencies; (4) the Deferred Fuel Cost Bonds are structured to achieve substantially level debt service payments on an annual basis; (5) the issuance of the Deferred Fuel Cost Bonds has been structured in accordance with IRS Rev. Proc. 2005-62; and (6) the structuring and pricing of the Deferred Fuel Cost Bonds resulted in reasonable Deferred Fuel Cost Charges consistent with market conditions at the time the Deferred Fuel Cost Bonds are priced and the terms set forth in this Financing Order (collectively, the "Standards of the Financing Order").

#### AUTHORITY

It is appropriate to grant Dominion Energy Virginia authority to establish the final terms and conditions of the Deferred Fuel Cost Bonds and, at its option, to cause one or more series or tranches of Deferred Fuel Cost Bonds to be issued.



## CONCLUSION

This Financing Order adheres to the statutory requirements outlined by the Securitization Statute necessary to issue a financing order authorizing a public utility to finance deferred fuel costs.

Accordingly, IT IS ORDERED THAT:

### Approvals

(1) Approval of Petition. Dominion Energy Virginia's Petition for the issuance of a financing order pursuant to the Securitization Statute is approved, as provided in this Financing Order.

(2) Authority to Securitize. Dominion Energy Virginia's Petition for Financing Order authorizing the issuances sponsored by Dominion Energy Virginia of Deferred Fuel Cost Bonds in one or more series is granted, subject to the terms set forth in this Financing Order. Dominion Energy Virginia is hereby authorized to sponsor the issuance of Deferred Fuel Cost Bonds secured by the pledge of Deferred Fuel Cost Property, in one or more series or tranches in an aggregate principal amount not to exceed the Securitizable Balance (as of the date the first series of Deferred Fuel Cost Bonds are issued). The proceeds are to be used to finance the equivalent of (i) recovery of Deferred Fuel Costs; plus (ii) recovery of the Up-front Financing Costs incurred in connection with issuance of the Deferred Fuel Cost Bonds. Up-front Financing Costs and On-going Financing Costs are subject to update, adjustment and approval pursuant to the terms of this Financing Order and the IAL procedures as provided by this Financing Order.

(3) Recovery of Excess Up-front Financing Costs. Dominion Energy Virginia's approach for recovery of any prudently incurred excess amounts of Up-front Financing Costs is reasonable.

(4) Recovery of Deferred Fuel Cost Charges. The SPE sponsored by Dominion Energy Virginia shall impose on, and Dominion Energy Virginia shall collect, as initial servicer, from all existing and future retail customers of the Company, irrespective of the generation provider of such customers, except for opt-out, and exempt or partially exempt retail access customers as defined in Va. Code § 56-249.6:1 O, as provided in this Financing Order, Deferred Fuel Charges in an amount sufficient to provide for the timely recovery of its Periodic Payment Requirement detailed in this Financing Order (including, without limitation, payment of principal and interest on the Deferred Fuel Cost Bonds and On-going Financing Costs).

(5) Approval of Tariffs. The form of the Virginia Jurisdictional Deferred Fuel Cost Charge Tariff as shown in Dominion Energy Virginia Witness Stuller's Schedule 4 is approved. The Pro-Rata Share of Deferred Fuel Costs Tariff shown in Dominion Energy Virginia Witness Stuller's Schedule 5 is approved.

(6) True-Up Mechanism. The True-Up Mechanism identified in Appendix B to this Financing Order is approved and shall be applied at least semi-annually (and at least quarterly beginning 12 months prior to the last scheduled final payment date of the last maturing tranche of a series of Deferred Fuel Cost Bonds). Interim true-ups at any time are also approved.

(7) Form Agreements. The Commission finds good cause to authorize Dominion Energy Virginia to provide service to the SPE under the Servicing Agreement and for the Servicing Agreement to become effective following the effectiveness of the IAL. The Commission finds good cause to authorize Dominion Energy Virginia to administer the SPE

under the Administration Agreement and for the Administration Agreement to become effective following the effectiveness of the IAL. The Commission finds good cause to authorize Dominion Energy Virginia to enter into the Purchase and Sale Agreement with the SPE to become effective following the effectiveness of the IAL.

(8) Commonwealth and Commission Pledges. The SPE issuing Deferred Fuel Cost Bonds is authorized, pursuant to Va. Code § 56-249.6:1 J 2 and this Financing Order, to include the Commonwealth of Virginia pledge, and a pledge by the Commission, with respect to Deferred Fuel Cost Property and Deferred Fuel Cost Bonds and related documentation as provided for in Va. Code § 56-249.6:1 J 1. The Commission finds that these Commission and Commonwealth Pledges will constitute a contract with the bondholders, the owners of Deferred Fuel Cost Property, the SPE issuing Deferred Fuel Cost Bonds, and other financing parties. The Commission further acknowledges that the SPE issuing the Deferred Fuel Cost Bonds would be considered financing parties for purposes of Va. Code § 56-249.6:1 J.

(9) Structure. The proposed transaction structure for the Deferred Fuel Cost Bonds, as set forth in the body of this Financing Order is approved.

Reports and Accounting

(10) Issuance Advice Letter. Dominion Energy Virginia shall file a combined IAL/TUAL in final form with the Commission within one business day after actual pricing of the Deferred Fuel Cost Bonds, substantially in the form of Appendix C to this Financing Order describing the final structure and terms of the Deferred Fuel Bond issuance, including an updated accounting of the Up-front Financing Costs, and On-going Financing Costs. Finally, the combined IAL/TUAL shall include a certification from Dominion Energy Virginia, that the structuring, pricing and Financing Costs of the Deferred Fuel Cost Bonds achieved the Statutory

Cost Objectives. The Commission's review of the IAL/TUAL shall be limited to determining whether the transaction complies with the Standards of this Financing Order and whether Dominion Virginia Energy has delivered the required certification. Unless the Commission issues an order stopping the Deferred Fuel Cost Bond issuance before noon on the third business day after pricing, the transaction shall be final, irrevocable and incontestable and shall proceed without any further action of this Commission. The Commission shall only issue an order to stop the transaction if the Commission determines that (a) the transaction does not comply with the Standards of this Financing Order, or (b) Dominion Energy Virginia has not delivered the required certification. Prior to the filing of the IAL/TUAL and through the period ending with the issuance of the Deferred Fuel Cost Bonds, Dominion Energy Virginia will, to extent requested by the Commission, provide the Commission or its Staff with timely information so that the Commission acting for itself or through its Staff can remain informed of all material aspects relating to the structuring and pricing of, and Financing Costs relating to the Deferred Fuel Cost Bonds and participate as directed.

(11) True-Up Adjustment Letter. Dominion Energy Virginia or its assignee(s) are authorized to recover the Periodic Payment Requirement and shall file with the Commission at least semi-annually (and at least quarterly beginning 12 months prior to the last scheduled payment date of the latest maturing tranche of Deferred Fuel Cost Bonds) a TUAL as described in this Financing Order that shall be based upon the cumulative differences, regardless of the reason, between the Periodic Payment Requirement and the actual amount of Deferred Fuel Cost Charge remittances to the trustee for the series of Deferred Fuel Cost Bonds. Upon the filing of a TUAL made pursuant to this Financing Order, the Commission shall either administratively approve the requested true-up calculation in writing or inform the servicer of

any mathematical or clerical errors in its calculation within 30 days following the servicer's true-up filing. Notification and correction of any mathematical or clerical errors shall be made so that the true-up is implemented within 30 days of the servicer's filing of a TUAL and no potential modification to correct an error in a TUAL shall delay its effective date and any correction or modification which could not be made prior to the effective date shall be made in the next TUAL. Upon administrative approval or the passage of 30 days without notification of a mathematical or clerical error, no further action of the Commission will be required prior to implementation of the true-up.

(12) Changes to Deferred Fuel Cost Charges. Upon any change to Deferred Fuel Cost Charges stemming from the True-Up Mechanism, Dominion Energy Virginia shall file appropriately-revised tariff sheets with the Commission, provided, however, that approval of the Deferred Fuel Cost Charges shall not be delayed or otherwise adversely impacted by the Commission's decision with respect to the tariff.

(13) Imposition and Collection, Nonbypassability. Dominion Energy Virginia, including its sponsored SPE is authorized to impose, bill, charge, collect, receive, and adjust from time to time pursuant to the True-Up Mechanism (as described in this Order) a Deferred Fuel Cost Charge, to be collected on a per kWh basis from each of its existing and future retail customers, irrespective of the generation supplier of such customer, except for an opt-out, exempt or partially exempt retail access customer, until the related Deferred Fuel Cost Bonds are paid in full and all related Financing Costs and other costs of the bonds have been recovered in full. Such Deferred Fuel Cost Charges shall be nonbypassable charges that are separate and apart from Dominion Energy Virginia's base rates and shall be paid by all Dominion Energy Virginia jurisdictional existing and future customers receiving transmission or distribution

service, or both, from Dominion Energy Virginia or its successors or assignees under Commission-approved rate schedules as provided in this Financing Order. Such Deferred Fuel Cost Charges shall be in amounts sufficient to ensure the timely payment of Dominion Energy Virginia's Deferred Fuel Cost Bonds as detailed in this Financing Order and the IAL (including payment of principal of and interest on the Deferred Fuel Cost Bonds and On-going Financing Costs).

(14) Allocation. The Deferred Fuel Cost Charges shall be allocated to the customer classes in accordance with the methodology approved in the Company's last fuel factor proceeding, Case No. PUR-2022-00064.

(15) Collection Period. This Financing Order and the Deferred Fuel Cost Charges authorized hereby shall remain in effect until the Deferred Fuel Cost Bonds and all Financing Costs (including tax liabilities) related thereto have been paid or recovered in full. This Financing Order shall remain in effect and unabated notwithstanding the reorganization, bankruptcy or other insolvency proceedings of Dominion Energy Virginia or its successors or assignees.

(16) Following repayment of Deferred Fuel Cost Bonds and the relevant Financing Costs authorized in this Financing Order and release of the funds by the indenture trustee, each SPE shall distribute the final balance of its collection account to Dominion Energy Virginia and Dominion Energy Virginia shall credit other electric rates and charges by a like amount, less the amount of the relevant capital subaccount and any unpaid return on invested capital due to Dominion Energy Virginia as set forth in the body of this Financing Order.

(17) Ownership Notification and Separate Line Item Charge. The electric bills of Dominion Energy Virginia must explicitly reflect that a portion of the charges on such bill

represents Deferred Fuel Cost Charges approved in this Financing Order and must include a statement to the effect that the SPE is the owner of the rights to Deferred Fuel Charges and that Dominion Energy Virginia is acting as servicer for the SPE. The tariff applicable to customers must indicate the Deferred Fuel Cost Charges and the ownership of that charge. Dominion Energy Virginia shall identify amounts owed with respect to its Deferred Fuel Cost Property as a separate line item on individual electric bills.

Deferred Fuel Cost Property

(18) Outside Costs. Costs associated with the Commission's outside consultant and any outside counsel, to the extent such costs are eligible for compensation and approved for payment under the terms of such party's contractual arrangements with the Commission, as such arrangements may be modified by any amendment entered into at the Commission's sole discretion, will qualify as Up-front Financing Costs and be paid from proceeds of Deferred Fuel Cost Bonds.

(19) Creation of Deferred Fuel Cost Property. The creation of the Dominion Energy Virginia's Deferred Fuel Cost Property as described in this Financing Order is approved and, upon transfer of the Deferred Fuel Cost Property to the SPE, shall be created, and shall consist of: (1) all rights and interests of Dominion Energy Virginia or its successors or assignees under this Financing Order, including the right to impose, bill, charge, collect and receive Deferred Fuel Charges authorized in this Financing Order and as initial servicer to obtain periodic adjustments to such charges as provided in this Financing Order, and (2) all revenues, collections, claims, rights to payments, payments, money or proceeds arising from the rights and interests specified in this Financing Order, regardless of whether such revenues, collections, claims, rights to payment, payments, money or proceeds are imposed, billed, charged, received,

collected or maintained together with or commingled with other revenues, collections, rights to payment, payments, money or proceeds. The creation of Deferred Fuel Cost Property is conditioned upon, and shall be simultaneous with, the sale or other transfer of the Deferred Fuel Cost Property to the SPE, the issuance of the Deferred Fuel Cost Bonds and the pledge of the Deferred Fuel Cost Property to secure a series of Deferred Fuel Cost Bonds.

(20) Deferred Fuel Cost Property Existence. The Deferred Fuel Cost Property shall exist until the Deferred Fuel Cost Bonds are paid in full and all Financing Costs and other related costs have been recovered in full.

(21) Irrevocability. Upon the earlier of either (i) the transfer of the Deferred Fuel Cost Property or (ii) issuance of the Deferred Fuel Cost Bonds, this Financing Order is irrevocable and, except for changes made pursuant to the formula-based mechanism authorized in this Financing Order, the Commission may not amend, modify, or terminate this Financing Order by any subsequent action or reduce, impair, postpone, terminate or otherwise adjust the Deferred Fuel Cost Charges approved in this Financing Order.

Structure of Securitization

(22) SPE. Dominion Energy Virginia is authorized to utilize one or more SPEs to be structured as discussed in this Financing Order. Dominion Energy Virginia is authorized to execute one or more LLC Agreements, consistent with the form included as Schedule 4 to Company Witness Johnson's testimony and the terms and conditions of this Financing Order. The SPE shall be funded with an amount of capital that is sufficient for the SPE to carry out its intended functions as contemplated in the Petition and this Financing Order. The Commission approves an initial capital contribution of 0.5 percent of the initial aggregate principal amount of a series of Deferred Fuel Cost Bonds or such other amount required to obtain the highest



credit ratings. The capital contributions by Dominion Energy Virginia to the SPE shall be funded by Dominion Energy Virginia and not from the proceeds of the sale of Deferred Fuel Cost Bonds. Dominion Energy Virginia will be permitted to earn a rate of return on its invested capital in its SPE equal to the rate of interest payable on the longest maturing tranche of Deferred Fuel Cost Bonds and this return on invested capital should be a component of the Periodic Payment Requirement.

(23) Servicing and Administration Fees. The servicing and administration fees collected by Dominion Energy Virginia or any affiliate of Dominion Energy Virginia, acting as either the servicer or the administrator under the Servicing Agreement or Administration Agreement, respectively, will be included in Dominion Energy Virginia's cost of service such that Dominion Energy Virginia will credit back all periodic servicing fees in excess of Dominion Energy Virginia's or an affiliate of Dominion Energy Virginia's incremental costs of performing servicing as administration functions, but only to the extent the AAA-equivalent ratings on the Deferred Fuel Cost Bonds are not impaired. The expenses incurred by Dominion Energy Virginia or such affiliate to perform obligations under the Servicing Agreement or Administration Agreement not otherwise recovered through the Deferred Fuel Charges will likewise be included in Dominion Energy Virginia's cost of service.

(24) Dominion Energy Virginia as Servicer. Dominion Energy Virginia shall act as initial servicer under the proposed financing transaction and is granted flexibility to act as initial servicer pursuant to the Servicing Agreement discussed in this Financing Order.

(25) Third Party Servicer. If the Commonwealth of Virginia or the Commission decides to allow billing, collection and remittance of the Deferred Fuel Charges by a third-party servicer within the Dominion Energy Virginia service territory, such authorization will be

consistent with the rating agencies' requirements necessary for the Deferred Fuel Cost Bonds to receive and maintain the targeted AAA-equivalent rating.

(26) Issuance. In accordance with the terms of this Financing Order and subject to the criteria and procedures described herein, the SPE is authorized to issue Deferred Fuel Cost Bonds in an aggregate principal amount not to exceed the Securitizable Balance (as of the date the Deferred Fuel Cost Bonds are issued) and may pledge to an indenture trustee, as collateral for payment of the Deferred Fuel Cost Bonds, the Deferred Fuel Cost Property, including the SPE's right to receive the related Deferred Fuel Cost Charges as and when collected, the SPE's rights under the Servicing Agreement and other collateral described in the Indenture. As provided in Va. Code § 56-249.6:1 A 2 e, Dominion Energy Virginia retains sole discretion regarding whether to assign, sell or otherwise transfer Deferred Fuel Property or to cause the Deferred Fuel Cost Bonds to be issued, including the right to defer or postpone such assignment, sale, transfer or issuance and the Commission will not refuse to allow Dominion Energy Virginia to recover Deferred Fuel Costs in an otherwise permissible fashion.

(27) IRS Safe Harbor Provisions. Dominion Energy Virginia shall be responsible to structure the Deferred Fuel Cost Bond transactions in a way that complies with the "safe harbor" provisions of IRS Revenue Procedure 2005-62.

(28) This case is dismissed.

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AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the State Corporation Commission, c/o Document Control Center, 1300 East Main Street, First Floor, Tyler Building, Richmond, Virginia 23219.

## Appendix A

**SUMMARY OF CALCULATION OF DOMINION ENERGY VIRGINIA'S  
SECURITIZABLE BALANCE**

(In Thousands)

Estimated Deferred Fuel Costs	\$ 1,257,800
Estimated Up-front Financing Costs <sup>1</sup>	\$ 12,410
	<hr/>
Estimated Principal Amount Deferred Fuel Cost Bonds	\$ 1,270,210

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<sup>1</sup> Final Up-front Financing Costs to be included in the Issuance Advice Letter.

**[Form of Issuance Advice Letter]**

[ ], 20 [ ]

VIA ELECTRONIC FILING

To the State Corporation Commission:

In compliance with the terms of the Financing Order issued by the State Corporation Commission (the "Commission") in Case No. PUR-2023-00112 (the "Financing Order"), Virginia Electric and Power Company ("Dominion Energy Virginia" or the "Company") is transmitting for filing this Issuance Advice Letter with respect to the Deferred Fuel Cost Bonds described in the "Issuance Information" section below. Any terms not defined in this Issuance Advice Letter will have the meanings ascribed to those terms in either the Financing Order or Va. Code § 56-249.6:1.

In the Financing Order, the Commission requires the Company to file an Issuance Advice Letter for the Deferred Fuel Cost Bonds within one business day after determination of the final terms of the Deferred Fuel Cost Bonds but before the issuance of the Deferred Fuel Cost Bonds.

**Final Structure and Terms:**

Under the Financing Order, the Commission requires the Issuance Advice Letter to describe the final structure and terms of the Deferred Fuel Cost Bond issuance, including an updated accounting of the Up-front Financing Costs, and On-going Financing Costs. The final structure and terms of the Deferred Fuel Cost Bonds to be issued in accordance with this Issuance Advice Letter are as follows:

Name of Deferred Fuel Cost Bonds: [ ]  
 Name of SPE: [ ]  
 Name of Deferred Fuel Cost Bond Trustee: [ ]  
 Pricing Date: [ ]  
 Expected Closing Date: [ ]  
 Preliminary Bond Ratings<sup>1</sup>: Moody's, [Aaa(sf)]; Standard & Poor's, [AAA(sf)]; Fitch, [AAAsf] (final ratings to be received prior to closing)  
 Total Principal Amount of Deferred Fuel Cost Bonds (equal to Deferred Fuel Costs plus Up-front Financing Costs): \$[ ] (See Attachment 1)  
 Estimated Up-front Financing Costs: \$[ ] (See Attachment 2)  
 Interest Rates and Expected Amortization Schedules (See Attachment 3)  
 Distributions to Investors: Semi-annually  
 Weighted Average Coupon Rate<sup>2</sup>: [ ]%  
 Annualized Weighted Average Yield<sup>3</sup>: [ ]%  
 Initial Balance of Capital Subaccount: \$[ ]

<sup>1</sup> The Company anticipates receiving bond ratings from at least two of the three major rating agencies.

<sup>2</sup> Weighted by modified duration and principal amount of each tranche.

<sup>3</sup> Weighted by modified duration and principal amount, calculated including selling commissions.

Estimated/Actual On-going Financing Costs for first year of Deferred Fuel Cost Bonds:  
\$[ ] (See Attachment 4)

**Certification by Dominion Energy Virginia:**

Under the Financing Order, the Commission also requires a certification from Dominion Energy Virginia that the structuring, pricing and Financing Costs of the Deferred Fuel Cost Bonds achieved the Statutory Cost Objectives. The Company's certification is set forth in Attachment 5, which also includes the statement of the actions taken by Dominion Energy Virginia to achieve the Statutory Cost Objectives as required by the Financing Order.

**Review by the Commission:**

Under the Financing Order, unless the Commission issues an order stopping the Deferred Fuel Cost Bond issuance before noon on the third business day after the pricing date, the transaction shall be final, irrevocable and incontestable and shall proceed without any further action of the Commission.

Under the Financing Order, the Commission shall only issue an order to stop the transaction if the Commission determines that (a) the transaction does not comply with the Standards of the Financing Order, or (b) Dominion Energy Virginia has not delivered the required certification.

As further detailed in the Financing Order, the Standards of the Financing Order are as follows:

- the aggregate principal amount of Deferred Fuel Cost Bonds issued does not exceed the Securitizable Balance;
- [each tranche of] the Deferred Fuel Cost Bonds [have / has] a scheduled final payment date of no longer than approximately 10 years;
- the Deferred Fuel Cost Bonds have received a preliminary rating of Aaa(sf) / AAA(sf) from at least two of the three major rating agencies;
- the Deferred Fuel Cost Bonds are structured to achieve substantially level debt service payments on an annual basis;
- the issuance of the Deferred Fuel Cost Bonds has been structured in accordance with IRS Rev. Proc. 2005-62; and
- the structuring and pricing of the Deferred Fuel Cost Bonds resulted in reasonable Deferred Fuel Cost Charges consistent with market conditions at the time of pricing the Deferred Fuel Cost Bonds and the terms set forth in the Financing Order.

Respectfully Submitted,

Virginia Electric and Power Company

Attachment 1**TOTAL PRINCIPAL AMOUNT OF DEFERRED FUEL COST BONDS TO BE ISSUED  
(TOTAL AMOUNT OF DEFERRED FUEL COST AND UP-FRONT FINANCING COSTS  
TO BE FINANCED)**

Deferred fuel costs	\$
Estimated Up-front Financing Costs included in Proposed	\$
<b>Total Deferred Fuel Cost Bond Issuance (rounded up)</b>	\$

Attachment 2**ESTIMATED UP-FRONT FINANCING COSTS**

Underwriters' Fees and Expenses	\$
Servicer Set-up Fee (including IT Programming Costs)	\$
Legal Fees	\$
Rating Agency Fees	\$
Commission Staff Financial Advisor Fees	\$
Commission Staff Legal Fees	\$
Structuring Advisor Fee	\$
Accounting Fees	\$
SEC Fees	\$
SPE Set-up Fee	\$
Marketing and Miscellaneous Fees and Expenses	\$
Printing / Edgarizing Expenses	\$
Trustee's/Trustee's Counsel's Fees and Expenses	\$
Original Issue Discount	\$
Other Ancillary Agreements	\$
<b>TOTAL ESTIMATED UP-FRONT FINANCING COSTS</b>	<b>\$</b>







**Attachment 4****ESTIMATED ANNUAL ON-GOING FINANCING COSTS**

	Annual Amount
Servicing Fee <sup>4</sup>	\$
Return on Invested Capital	\$
Administration Fee	\$
Accounting Fees	\$
Regulatory Assessment Fees	\$
Legal Fees	\$
Rating Agency Surveillance Fees	\$
Trustee Fees	\$
Independent Manager Fees	\$
Miscellaneous Fees and Expenses	\$
<b>TOTAL ESTIMATED ANNUAL ON-GOING FINANCING COSTS</b>	<b>\$</b>

<sup>4</sup> Low end of the range assumes the Company is the servicer (0.05%). Upper end of the range reflects an alternative servicer (0.60%).

Attachment 5

CERTIFICATION  
OF  
VIRGINIA ELECTRIC AND POWER COMPANY

[\_\_\_\_\_, 20\_\_]

VIA ELECTRONIC FILING

To the State Corporation Commission:

In compliance with the terms of the Financing Order issued by the State Corporation Commission (the "Commission") in Case No. PUR-2023-00112 (the "Financing Order"), Virginia Electric and Power Company ("Dominion Energy Virginia" or the "Company") submits this Certification. All capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order.

In its Issuance Advice Letter dated [\_\_\_\_\_, 20\_\_], the Company has set forth the following particulars of the Deferred Fuel Cost Bonds:

Name of Deferred Fuel Cost Bonds: [ ]  
 Name of SPE: [ ]  
 Name of Deferred Fuel Cost Bond Trustee: [ ]  
 Pricing Date: [ ]  
 Expected Closing Date: [ ]  
 Preliminary Bond Ratings<sup>5</sup>: Moody's, [Aaa(sf)]; Standard & Poor's, [AAA(sf)]; Fitch, [AAAsf] (final ratings to be received prior to closing)  
 Total Principal Amount of Deferred Fuel Cost Bonds (equal to Deferred Fuel Costs plus Up-front Financing Costs): \$[ ]  
 Estimated Up-front Financing Costs: \$[ ]  
 Interest Rates and Expected Amortization Schedules of the Deferred Fuel Cost Bonds and Distributions to Investors: Semi-annually  
 Weighted Average Coupon Rate<sup>6</sup>: [ ]%  
 Annualized Weighted Average Yield<sup>7</sup>: [ ]%  
 Initial Balance of Capital Subaccount: \$[ ]  
 Estimated/Actual On-going Financing Costs for first year of Deferred Fuel Cost Bonds: \$[ ]

In accordance with the procedures set forth in the Financing Order, the following actions were taken in connection with the structuring and pricing of the Deferred Fuel Cost Bonds and the determination of the related financing costs in order to satisfy the Statutory Cost Objectives:

<sup>5</sup> The Company anticipates receiving bond ratings from at least two of the three major rating agencies.

<sup>6</sup> Weighted by modified duration and principal amount of each tranche.

<sup>7</sup> Weighted by modified duration and principal amount, calculated including selling commissions.

- [Included credit enhancements in the form of the true-up mechanism and an equity contribution to [ ] of 0.50% of the original principal amount of the bonds;
- Developed rating agency presentations and worked actively with the rating agencies during the rating agency process to achieve Aaa(sf) / AAAsf from at least two of the three major rating agencies;
- Worked to select key transaction participants, including lead underwriters and co-managers through an RFP process to determine that they have relevant experience and execution capabilities, and who were aligned with Dominion Energy Virginia's objectives, namely broad distribution to investors and willingness to market the bonds in a manner consistent with the superior credit quality and uniqueness of the bonds;
- Hired a diverse group of underwriters, including underwriters with international and mid-tier expertise in order to attract a wide variety of potential investors;
- Reviewed detailed marketing plans submitted by each lead underwriter;
- Allowed sufficient time for investors to review [relevant marketing materials] and the preliminary prospectus and to ask questions regarding the transaction;
- Attended telephonic pre-marketing investor meetings in [\_\_\_\_];
- Arranged issuance of rating agency pre-sale reports during the marketing period;
- During the period that the bonds were marketed, held several market update discussions with the underwriting team and the to develop recommendation for pricing;
- Had multiple conversations with all of the members of the underwriting team during the marketing phase in which we stressed the requirements of the Financing Order;
- Developed and implemented a marketing plan designed to encourage each of the underwriters to aggressively market the bonds to a broad base of prospective corporate and asset backed securities investors;
- Conducted in person and telephonic roadshows with over [ ] investors in [ ] cities;
- Provided other potential investors with access to an internet roadshow for viewing at investors' convenience;
- Adapted the bond offering to market conditions and investor demand at the time of pricing consistent with the guidelines outlined within the Financing Order. Variables impacting the final structure of the transaction were evaluated including the length of the average lives and maturity of the bonds and the interest rate requirements at the time of pricing so that the structure of the transaction would correspond to investor preferences and rating agency requirements for the highest rating possible; and
- Developed bond allocations, underwriter compensation and preliminary price guidance designed to achieve customer savings.]

Based on the statutory criteria and procedures, the record in this proceeding, and other provisions of the Financing Order, Dominion Energy Virginia certifies the statutory requirements for issuance of the Deferred Fuel Cost Bonds have been met, specifically that the imposition and collecting of the Deferred Fuel cost Charges as authorized by the Financing Order provides quantifiable benefits

to customers of Dominion Energy Virginia as compared to the costs that would have been incurred absent the issuance of the Deferred Fuel Cost Bonds and that the structuring, pricing and financing costs of the Deferred Fuel Cost Bonds are reasonably expected to result in reasonable deferred fuel cost charges consistent with market conditions at the time the Deferred Fuel Cost Bonds are priced and the terms set forth in the Financing Order.

This certification is being provided to the Commission by the Company in accordance with the terms of the Financing Order, and no one other than the Commission shall be entitled to rely on the certification provided herein for any purpose.

Respectfully Submitted,

Virginia Electric and Power Company

Dominion Energy Services, Inc.  
Law Department  
120 Tredegar Street, Richmond, VA 23219  
DominionEnergy.com



Lisa R. Crabtree  
Senior Counsel  
Direct: (804) 819-2612; Facsimile: (804) 819-2183  
Email: lisa.r.crabtree@dominionenergy.com

**BY ELECTRONIC FILING**

DATE

Mr. Bernard Logan, Clerk  
Document Control Center  
State Corporation Commission of Virginia  
1300 East Main Street  
Richmond, Virginia 23219

[Form of Standard True-Up Adjustment Letter]

*Petition of Virginia Electric and Power Company,  
For a financing order authorizing the issuance of deferred fuel cost bonds  
pursuant to Va. Code § 56-249.6:1*

**Case No. PUR-2023-00112**

Dear Mr. Logan:

Pursuant to the Virginia State Corporation Commission's ("Commission") [\_\_\_\_, 20\_\_] Order in Case No. PUR-2023-00112 (the "Financing Order"), Virginia Electric and Power Company ("Dominion Energy Virginia" or the "Company") as Servicer of the deferred fuel cost bonds ("Deferred Fuel Cost Bonds") has filed a request for an adjustment to the deferred fuel cost charges ("Deferred Fuel Cost Charges"). This adjustment is intended to satisfy the requirements of Va. Code § 56-249.6:1 A 2 d, and the Financing Order by ensuring that the Deferred Fuel Cost Charges will recover amounts sufficient to timely provide for payments of debt service and other required amounts in connection with the Deferred Fuel Cost Bonds. Per the Financing Order, the Company will file at least semi-annually (and at least quarterly beginning 12 months prior to the last scheduled payment date of the latest maturing tranche of Deferred Fuel Cost Bonds) a letter in this docket for Commission review, as described in Va. Code § 56-249.6:1 A 2 d and in the form attached thereto ("True-up Adjustment Letter" or, "TUAL"). The Deferred Fuel Cost Bonds were issued on [\_\_\_\_, 20\_\_]. Dominion Energy Virginia filed its first True-Up Adjustment Letter on [\_\_\_\_, 20\_\_].

Ordering Paragraph 11 of the Financing Order describes how such True-Up Adjustment Letters are to be handled:

Upon the filing of a TUAL made pursuant to this Financing Order, the Commission shall either administratively approve the requested true-up calculation in writing or inform the servicer of any mathematical or clerical errors in its calculation within 30 days

following the servicer's true-up filing. Notification and correction of any mathematical or clerical errors shall be made so that the true-up is implemented within 30 days of the servicer's filing of a TUAL and no potential modification to correct an error in a TUAL shall delay its effective date and any correction or modification which could not be made prior to the effective date shall be made in the next TUAL. Upon administrative approval or the passage of 30 days without notification of a mathematical or clerical error, no further action of the Commission will be required prior to implementation of the true-up.

Attached is the Revised Sheet No. [ ] reflecting the change in the Deferred Fuel Cost Charges.

Per the Company's request in its True-Up Adjustment Letter and in accordance with the Financing Order, the proposed adjustments to the Deferred Fuel Cost Charges will be effective on [ ], 20[ ].

Respectfully submitted,

Virginia Electric and Power Company

Enclosures

Virginia Electric and Power Company  
Deferred Fuel Cost Charge True-up Mechanism Form  
For Deferred Fuel Cost Charge to be effective \_\_\_\_\_

Description	Calculation of the True-up (1)	Projected Revenue Requirement to be Billed and Collected (2)	Revenue Requirement for Deferred Fuel Cost Charge (1)-(2)=(3)
<b>Deferred Fuel Cost Bond Repayment Charge (remitted to SPE)</b>			
True-up for the Prior Remittance Period Beginning _____ and Ending _____:			
1 Principal			
2 Interest			
3 Servicing Costs			
4 Other On-Going Costs			
5 Total Prior Remittance Period Revenue Requirements (Line 1+2+3+4)	\$ -		
Prior Remittance Period Actual Cash Receipt Transfers and Interest Income:			
6 Cash Receipts Transferred to the SPE			
7 Interest Income on Subaccounts at the SPE			
8 Total Current Period Actual Daily Cash Receipts Transfers and Interest Income (Line 6 + 7)	\$ -		
9 (Over)/Under Collections of Prior Remittance Period Requirements (Line 5-8)	-		
10 Cash in Excess Funds Subaccount			
11 Cumulative (Over)/Under Collections through Prior Remittance Period (Line 9+10)	\$ -		\$ -
Current Remittance Period Beginning _____ and Ending _____			
12 Principal			
13 Interest			
14 Servicing Costs			
15 Other On-Going Costs			
16 Total Current Remittance Period Revenue Requirement (Line 12+13+14+15)	\$ -		
Current Remittance Period Cash Receipt Transfers and Interest Income:			
17 Cash Receipts Transferred to SPE	(A)	(B)	
18 Interest Income on Subaccounts at SPE	(A)	(B)	
19 Total Current Remittance Period Cash Receipt Transfers and Interest Income (Line 17+18)	\$ -	\$ -	
20 Estimated Current Remittance Period (Over)/Under Collection (Line 16+19)			\$ -
Projected Remittance Period Beginning _____ and Ending _____			
21 Principal			
22 Interest			
23 Servicing Costs			
24 Other On-Going Costs			
25 Projected Remittance Period Revenue Requirement (Line 21+22+23+24)		\$ -	\$ -
26 Total Revenue Requirements (Line 11+20+25)			\$ -
27 Less Revenue Collected at Prior Charge			\$ -
28 Remaining Revenue to be Collected at New Charge			\$ -
29 Forecasted kWh Sales for the Projected Remittance Period Collections (adjusted for uncollectibles)			(C)
30 Average Deferred Fuel Cost Charge per kWh to be effective _____ (Line 28/29)			

## Notes:

(A) Amount are based on actual collection for \_\_\_\_\_ through \_\_\_\_\_.

(B) Includes estimate remittance amounts for \_\_\_\_\_ through \_\_\_\_\_.

(C) Projected for services rendered \_\_\_\_\_ through \_\_\_\_\_. Collections are calculated based on days sales outstanding and charge offs.



## Virginia Electric and Power Company

### Securities and Exchange Commission ("SEC") Registration and Bond Issuance Process<sup>1</sup>

Date	Event	Time Period	Notes
November 6, 2023	File Registration Statement		
November 6, 2023 – December 6, 2023	SEC Review and Comments	~30 days	
December 6, 2023 – December 15, 2023 <sup>2</sup>	Respond to Initial SEC Comments	~10 days	Responses accompanied by an Amendment to the Registration Statement
December 15, 2023 – January 2, 2024 <sup>3</sup>	SEC Review of Company Response	~15 days	
January 2, 2024 – January 12, 2024	Respond to Additional SEC Comments, if Necessary	~10 days	Additional responses accompanied by additional Amendment to the Registration Statement
February 14, 2024 – February 16, 2024	Request Acceleration <sup>4</sup>	~2 days	
February 16, 2024	Registration Statement Declared Effective		Registration Statement will become effective 48 hours after filing of acceleration request, and the final prospectus must be filed 15 business days after the date the registration statement is declared effective
February 23, 2024	Transaction Priced		

<sup>1</sup> This is an indicative timeline that addresses the steps necessary to complete the SEC registration statement process. With regards to SEC review periods, we have assumed two rounds of SEC comments and that the SEC will take the full amount of time allotted for its review of the initial registration statement and subsequent amendments. We have also assumed issuance of the Financing Order on November 3, 2023.

<sup>2</sup> Adjusted to account for December 16, 2023 being a Saturday.

<sup>3</sup> Adjusted to account for the New Year's Day Holiday.

<sup>4</sup> Actual timing of effectiveness of registration statement and pricing and closing of transaction dependent on market conditions, as well as other factors.

Date	Event	Time Period	Notes
February 26, 2024	Issuance Advice Letter Filed	Business day after pricing	Issuance Advice Letter to be filed with the Commission within one business day of pricing
February 28, 2024	Issuance Advice Letter becomes Effective	3 business days after pricing	Issuance Advice Letter becomes effective at noon on the third business day after pricing unless the Commission issues a stop order
March 1, 2024	Close Transaction	5 business days after pricing	These transactions typically settle T+5

#### Rating Agency Process <sup>5</sup>

Date	Event	Time Period	Notes
November 13, 2023 – December 8, 2023	Prepare Rating Agency Presentation and Initial Rating Agency Review	~4 weeks	Company and Underwriters prepare presentation materials and 17g-5 website and coordinate responses to rating agency questions
Week of December 11, 2023	Meet with Rating Agencies	~2-3 days	
December 18, 2023 – February 23, 2024	Rating Agency Follow-up		Company and Underwriters address any additional rating agency questions, and rating agencies issue preliminary ratings and publish presale reports

<sup>5</sup> The rating agency process is typically completed concurrently with the SEC Registration Process.